

Duke Energy Carolinas, LLC
DOCKET 2018-319-E
UPDATED SMITH EXHIBIT 2 (Directive)
FOR THE TEST PERIOD ENDED December 31, 2017
SOUTH CAROLINA RETAIL
Excess Deferred Income Tax Rider Calculation
(Dollars in thousands)

	Federal EDIT - Protected <u>SC Retail</u>	Federal EDIT - Unprotected, PP&E related <u>SC Retail</u>	Federal EDIT - Unprotected, non PP&E related <u>SC Retail</u>	Deferred Revenue, DERP Solar Rebate <u>SC Retail</u>	NC EDIT <u>SC Retail</u>	Total <u>SC Retail</u>
	(A)	(B)	(C)	(D)	(E)	(F)
1 Regulatory liability including gross up as of 12/31/2017	[1] \$ (409,903)	\$ (269,477)	\$ (57,927)	\$ -	(83,686)	(820,993)
1a Regulatory liability including gross up updated as of 12/31/2018	[1](a) \$ (421,534)	\$ (269,654)	\$ (57,497)		(87,003)	(835,688)
2 Estimated transition of Protected to Unprotected Regulatory liability during 2018	[1] \$ 10,665		\$ (10,665)			-
3 DERP Deferral Balance for Solar Rebate as of 9/30/2018	[1]			\$ 40,119		40,119
4 Deferred Revenue for Federal Tax Rate Change as of 12/31/2018	[2]			\$ (69,671)		(69,671)
5 Regulatory liability for federal tax change including gross up for Year 1 rider calculation (Sum of L1a to L4)	\$ (410,869)	\$ (269,654)	\$ (68,162)	\$ (29,552)	\$ (87,003)	(865,241)
6 Allocation to SC Retail excluding Greenwood	[3] 99.68%	99.68%	99.68%	99.68%	99.68%	99.68%
7 Regulatory liability for federal tax change including gross up for SC Retail excluding Greenwood (L5 x L6))	(409,542)	(268,783)	(67,941)	(29,457)	(86,722)	(862,445)
8 Annual Amortization percentage	2.53%	5.00%	20.00%	20.00%	20.00%	7.03%
9 Annual amortization amount (L7 x L8)	(10,361)	(13,439)	(13,588)	(5,891)	(17,344)	(60,625)
10 Years of rider amortization	39.53	20	5	5	5	

[1] Excess deferred tax liability (EDIT) as of 12/31/2017 by jurisdiction

EDIT related to the federal tax changes booked to the 0254036 account is included in other Working Capital in the per books cost of service, net of offsetting ADIT in the 190 account.

NC EDIT liability booked to the 0253600 account, was included in Other Working Capital in the per books COSS.

DERP Solar Rebates are deferred to the 0182494 account

[1](a) Federal and NC EDIT balances updated based on actual balances as of 12/31/2018, and forecast 2018 transition between categories based on Tax analysis of this updated ADIT

[2] Smith Exhibit 2, Page 3, Line 3. Deferred revenues in the 0229010 account balance as of 12/31/2018.

[3] Allocation - SCRGW - NETPLT w Nfuel

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	Ratio	Rate	After Tax Weighted Average Cost of Capital (WACC)
Cost of Capital per Smith Exhibit 1			
Debt	47.00%	4.53%	1.60%
Equity	53.00%	9.50%	5.04%
			6.64%
Statutory Tax Rate			24.95%
Retention factor for SC license tax, PSC Utility Assessment Fee			99.56%

Annual Rider Calculation

Amortization - From Page 1, L9															
Year	Line	Beginning Balance, Page 1, L7 (A)	Federal EDIT - Protected (B)	Federal EDIT		Deferred Revenue, DERP Solar Rebate (E)	NC EDIT (F)	Total Amortization (G) =(B)+(C)+(D)+[E]+[F]	Ending Balance before Return (H) = (A) - (G)	Average of Beginning and Ending Balance (I) = ((A) + (H)) / 2	EDIT Balance in Base Rates, Page 1, L1 x L6 (J)	Change in Regulatory Liability for Rider Return (K) = (I) - (J)	Return for Rider (L) = (K) x After Tax WACC	Rider Revenues (M) = (G) + (L)	Rider Revenues incl. SC license Tax, PSC Utility Assessment Fee (N) = (M) / Retention Factor
				Unprotected, PP&E related (C)	Unprotected, non PP&E related (D)										
Jun 19- May 20	1	(862,445)	(10,361)	(13,439)	(13,588)	(5,891)	(17,344)	(60,625)	(801,821)	(\$832,133)	(818,340)	(\$13,793)	(\$916)	(61,540)	(61,814)
Jun 20- May 21	2	(801,821)	(10,361)	(13,439)	(13,588)	(5,891)	(17,344)	(60,625)	(741,196)	(\$771,508)	(818,340)	\$46,832	\$3,110	(57,515)	(57,771) [1]
Jun 21- May 22	3	(741,196)	(10,361)	(13,439)	(13,588)	(5,891)	(17,344)	(60,625)	(680,571)	(\$710,884)	(818,340)	\$107,457	\$7,135	(53,490)	(53,728) [1]
Jun 22- May 23	4	(680,571)	(10,361)	(13,439)	(13,588)	(5,891)	(17,344)	(60,625)	(619,947)	(\$650,259)	(818,340)	\$168,081	\$11,161	(49,464)	(49,684) [1]
Jun 23- May 24	5	(619,947)	(10,361)	(13,439)	(13,588)	(5,891)	(17,344)	(60,625)	(559,322)	(\$589,634)	(818,340)	\$228,706	\$15,186	(45,439)	(45,641) [1]
													Rider Revenues incl. SC license Tax, PSC Utility Assessment		
													\$0	Initial Filing:	Incr. (decr.) with Update
													Jun 19- May 20	(61,814)	798

[1] The rider amounts for years 2 through 5 are shown for illustrative purposes only. Actual rider amounts will be filed each year with updates discussed in my testimony by March 31 for Commission approval.